

Message Text

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ACTION NEA-11

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SUBJECT: US/MOROCCAN COOPERATION IN ENERGY DEVELOPMENT: GOM
ENERGY AND MINES MINISTER MOUSSA SAADI IS ANXIOUS TO
MOVE: PART II

REF: RABAT 2678

1. THIS MESSAGE REPORTS SAADI'S VIEWS ON U.S. PRIVATE
SECTOR INVOLVEMENT IN MOROCCO'S ENERGY DEVELOPMENT PROGRAM,
AS EXPRESSED TO AMBASSADOR DURING A RECENT TWO HOUR REVIEW
OF SAADI'S VISIT TO U.S. MESSAGE SHOULD BE READ IN
CONJUNCTION WITH REFTEL. SAADI OBSERVED THAT CERTAIN DETAILS
OF HIS DISCUSSIONS WITH AMERICAN FIRMS ARE NEW INFORMATION,
AND MIGHT NOT BE KNOWN TO WASHINGTON.

2. OIL SHALE. SAADI EXPRESSED ADMIRATION FOR SECRETARY
SCHLESINGER'S EFFORTS TO PROMOTE U.S. OIL SHALE DEVELOPMENT
AND HOPED THIS INTEREST WOULD EXTEND TO DOE'S PLAYING A
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SIMILAR SUPPORTIVE ROLE IN MOROCCO. TURNING TO THE THREE
COMPANIES HE VISITED, TOSCO, UNION OIL, AND OCCIDENTAL
PETROLEUM, HE SAID THE LATTER'S SUBSURFACE OR QUOTE IN SITU
UNQUOTE PROCESS WAS NOW GENERALLY THOUGHT TO BE THE METHOD
OF THE FUTURE. IN ANY CASE, IT APPEARS TO BE UNIQUELY
SUITED FOR DEVELOPING MOROCCO'S TIMAHDIT DEPOSIT. THIS IS
BECAUSE IT MAKES USE OF BY-PRODUCT GASES TO ENERGIZE THE

PROCESS AND ALSO ACTS AS THE PRESSURE VEHICLE FOR RAISING THE EXTRACTED PETROLEUM TO THE SURFACE ONCE DIRECT COMBUSTION OF THE SHALE HAS TAKEN PLACE. IN SITU IS LESS TECHNICALLY COMPLEX, DISPENSES WITH LARGE QUANTITIES OF WATER REQUIRED BY OTHER PROCESSES, AND INVOLVES, IN SAADI'S VIEW, SUBSTANTIALLY LOWER CAPITAL COSTS. COVERING BRIEFLY THE OCCY PLANT WHICH DOE IS REPORTEHLY SUBSIDIZING, SAADI SAID IT WAS OCCY'S SIXTH AND LARGEST EFFORT TO DEMONSTRATE THE VALIDITY OF ITS IN SITU EXTRACTION PROCESS. THE PLANT WOULD BE READY FOR FULL-SCALE PRODUCTION IN 1982-83, PRODUCING AROUND 52,000 BBD OF PETROLEUM AND 300,000 CUBIC METERS OF GAS--PRECISELY THE LEVELS OF PETROLEUM OUTPUT MOROCCO IS HOPING TO ACHIEVE AT THE CONCLUSION OF A FIRST DEVELOPMENT PHASE OF THE TIMAHDIT DEPOSIT. (COMMENT: IMPLICIT IN SAADI'S OBSERVATIONS WAS HIS DESIRE TO ACHIEVE SOME KIND OF TRIANGULAR COOPERATIVE AGREEMENT INVOLVING GOM, USG AND OCCY, SO THAT OIL SHALE DEVELOPMENT ACTIVITY IN MOROCCO COULD PROCEED IN TANDEM WITH OCCY'S U.S. TIME-TABLE, AND BENEFITTING PRESUMABLY FROM SIMILAR DOE FINANCIAL SUPPORT.)

3. SAADI SAID HE CONFERED AT LENGTH WITH OCCY CHAIRMAN ARMAND HAMMER IN CALIFORNIA, WHO EXPRESSED STRONG INTEREST IN BECOMING INVOLVED IN MOROCCO. HAMMER INSISTED, HOWEVER, THAT THE GOM'S DISPUTE WITH OCCY'S SUBSIDIARY HOLIDAY INN (INVOLVING A TAKEOVER OF FOUR HOTELS HOLIDAY INN BUILT IN MOROCCO) BE RESOLVED BEFORE HE AND OCCY GET LIMITED OFFICIAL USE

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DOWN TO BUSINESS. SAADI SAID THAT HE MADE A STRONG PLEA FOR THIS TO HAPPEN IN HIS TRIP REPORT TO THE KING.

4. AS SAADI SEES IT, THE OCCY PROCESS IS READY TO BE INTRODUCED INTO MOROCCO NOW, AND IN LIGHT OF DOE'S FINANCIAL SUPPORT OF OCCY'S U.S. OIL SHALE PLANT, HOPES THAT A SIMILAR COOPERATIVE ARRANGEMENT CAN BE WORKED OUT TO DEVELOP THE TIMAHDIT DEPOSITS. (COMMENT: WE EXPECT THAT THIS ISSUE WILL BE A MAJOR ELEMENT FOR DISCUSSION WITH THE PROPOSED DOE OIL SHALE TEAM DISCUSSED REFTEL.)

5. SAADI THEN WENT ON TO SAY THAT ALTHOUGH IN SITU WOULD BE THE PRIMARY PROCESS FOR TIMAHDIT, A "CLASSICAL" SYSTEM WOULD ALSO BE NEEDED FOR ABOUT TWENTY FIVE PERCENT OF OIL SHALE EXTRACTION OPERATIONS, LARGELY AS THE REQUIRED CATALYST AND CONTROL SYSTEM FOR THE IN SITU PROCESS. SAADI WAS NOW INCLINED TO LOOK TO UNION OIL FOR THE CATALYST SYSTEM. ALTHOUGH TOSCO'S PROCESS IS MORE SOPHISTICATED, SAADI FEELS IT WAS PRIMARILY DEVELOPED FOR USE WITH COLORADO SHALE WHICH PRODUCES CONSIDERABLE DUST, AND WHICH TOSCO'S USE OF HEATED MOBILE BALLS EFFECTIVELY ELIMINATES. THE TIMAHDIT DEPOSITS PRODUCE LITTLE OR NO DUST, AND SINCE THE UNION OIL

PROCESS IF MUCH SIMPLER, CHEAPER AND EQUALLY EFFICIENT,
IT WOULD CLEARLY BE THE PREFERABLE ONE FOR USE WITH ANY OCCY
IN SITU PROCESS IN MOROCCO. NEVERTHELESS, SAADI SAID THE
GOM WOULD WISH TO CONTINUE WORKING WITH ALL THREE U.S. COMPANIES,
AND TOSCO WOULD DEFINITELY HAVE A ROLE TO PLAY IN MOROCCO'S
OIL SHALE DEVELOPMENT PROGRAM.

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6. PETROLEUM PROSPECTION. SAADI SAID HE WAS HAPPY TO HAVE
LEARNED MORE ABOUT U.S.PINE VIEW DEPOSIT WHICH INVOLVES,
HE ASSERTED, SMALL HARD-TO-FIND DEPOSITS AT GREAT DEPTHS.
GIVEN THE SIMILAR GEOLOGY OF THE U.S. ROCKIES AND MOROCCO'S
RIF AREA, HE BELIEVED THAT PINE VIEW'S SPECIALIZED
EXTRACTION PROCESS WOULD BE THE GENERAL TYPE TO CONSIDER
FOR THE RIF AREA. SINCE THIS TYPE OF DRILLING IS OF LITTLE
OR NO INTEREST TO LARGE COMPANIES, SAADI SAID HIS MINISTRY
WAS PLANING TO HOST A SEMINAR IN NEW YORK TO PUBLICIZE WHAT
MOROCCO HAS IN TERMS OF GEOLOGY, AND WHAT IT PLANS TO DO IN
TERMS OF ENCOURAGING FURTHER PROSPECTION EFFORTS IN THE RIF.
DR. HEWITT (OF OGLEVAY NORTON COMPANY) HAD APPARENTLY AGREED
TO HELP ORGANIZE THE EVENT AND TARGET POTENTIALLY INTERESTED
COMPANIES FOR SUBSEQUENT FOLLOW-UP DISCUSSIONS. SAADI
BELIEVES THAT PROSPECTS IN THE RIF ARE VERY PROMISING AND
OBSERVED THAT, AS AN EXAMPLE, EGYPT WAS NOW ACHIEVING 25
MILLION TONS OF PETROLEUM OUTPUT FROM SIMILAR TYPES OF
DEPOSITS, USING SIMILAR SPECIALIZED TECHNOLOGY. HE WENT ON
TO SAY THAT DURING HIS RECENT VISIT TO CAIRO THE EGYPTIAN ENERGY
MINISTER HAD TOLD HIM THAT IF A SERIOUS PROSPECTION EFFORT IS

UNDERTAKEN, EXPLOITABLE DEPOSITS ARE SURE TO BE IDENTIFIED.
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THE MAIN PROBLEM IS TO IDENTIFY INTERESTED PARTIES, WHICH
SAADI'S PROPOSAL FOR A SEMINAR IN NEW YORK IS INTENDED TO
RESOLVE. HE SAID HE WOULD BE BACK IN TOUCH WITH THE EMBASSY
WHEN PLANS FOR THE SEMINAR WERE FURTHER ALONG--POSSIBLY
SOMETIME IN JUNE. (COMMENT: EMBASSY
RECENTLY RAN ACROSS EXTENSIVE ARTICLE ON RIF'S PETROLEUM
POTENTIAL WRITTEN BY SAADI HIMSELF IN MAJOR PRO-GOVERNMENT
DAILY MAROC PRESSE, WHICH WE ARE ABSTRACTING AND
TRANSMITTING BY AIRGRAM.)

7. URANIUM EXTRACTION. SAADI TOUCHED ON HIS VISIT TO
LAKELAND, FLORIDA AND WMC'S URANIUM EXTRACTION PLANT,
CURRENTLY SCHEDULED FOR COMPLETION IN SEPTEMBER. WHILE
NOTING THAT OCP WAS EXTREMELY CAUTIOUS IN COMMITTING ITSELF,
IT WAS ANXIOUS TO PROCEED WITH WHAT WILL BE THE WORLD'S
LARGEST URANIUM EXTRACTION FACILITY IN SAFI. SINCE
WESTINGHOUSE HAD ASSUMED GREAT RISKS AND APPEARED TO BE THE
FRONT RUNNER, HE THOUGHT IT WOULD PROBABLY BE SUCCESSFUL IN
LANDING THE DEAL WITH OCP. AS AN INDICATION, HE NOTED
THAT WMC ENGINEERS HAD BEEN RECENTLY ALLOWED TO SURVEY THE
SAFI CHEMICAL COMPLEX TO OBTAIN A GENERAL IDEA OF
AVAILABLE FACILITIES.

8. FINANCING. SAADI CONCLUDED WITH THE HOPE THAT
ADEQUATE FINANCING COULD BE FOUND FOR MOROCCO'S ENERGY
DEVELOPMENT PROGRAM. FOLLOWING PRODUCTIVE DISCUSSIONS
WITH EXIM CHAIRMAN MOORE AND GIVEN THE IBRD'S INTEREST
IN FUNDING ENERGY/MINING DEVELOPMENTS IN GENERAL, HE FELT
HE COULD BE OPTIMISTIC, ALTHOUGH WORKING OUT FINANCING
PACKAGES WOULD CERTAINLY BE COMPLICATED AND MIGHT WELL NEED
SOME COORDINATING POINT, SUCH AS POSSIBLY THE DOE.
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